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THE POST-OFFICE AS A DEPOSITORY FOR SAVINGS.

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MONTANA.

ABOUT the year 1807 an agitation for the establishment of postal savings-banks began to interest the people of Great Britain. This agitation was continued until, under the leadership of Mr. Gladstone, the postal savings system was established by Act of Parliament in the year 1861. Throughout the fifty-four years of discussion British bankers and masters of finance resisted the postal savings-bank for substantially the same reasons which have been urged against the adoption of a like system in this country. However, the postal savings system operated in such a satisfactory manner in the United Kingdom that it was in due time adopted by France, Austro-Hungary, Italy, Sweden, Russia, Belgium, the Netherlands and the colonies and dependencies of such of these countries as have possessions beyond the confines of the parent state. Chile is experimenting with the system and Brazil has recently enacted a postal savings law.

No backward step on postal savings has ever been taken in any of the countries named. After the lapse of twenty-seven years, Mr. Gladstone, the promoter of the legislation in the British Parliament, made the following statement in the House of Commons in the year 1888:

“The post-office savings-bank is the most important institution which has been created in the last fifty years for the welfare of the people and the State. I consider the Act of 1861 which called the institution into existence as the most useful and fruitful of my long career.”

The system has operated successfully in countries of limited area and dense population and in countries, such as Russia and Canada, of extensive territorial area and sparse settlement. It

has operated successfully under all forms of government and under all conditions, climatic, territorial and otherwise known to men. Notwithstanding the overwhelming proof of success afforded by accumulated and varied experience, the effort to establish this system in the United States has met with very determined opposition. It is conceded on all hands that the tendency of the system is to encourage thrift and a saving disposition amongst people of small means; and every one admits and no one denies that it is the interest of the people and the interest of the Government to foster and develop such habits. Much of the opposition proceeds from ignorance of the subject, mistaken self-interest and wide-spread misrepresentation. Many volumes could be filled with statements of the grotesque reasons assigned for inaction or to justify hostility. The American Bankers' Association, for instance, sent out a typewritten circular a short time ago averring that it was unwise to establish the postal savings system in this country, because it would lead to the development of bands of robbers in the South and West having the robbery of the post-offices as their objective.

A person of high station made a calculation showing the enormous investment in burglar-proof safes which would be made necessary by the establishment of postal savings depositories. Absurd estimates of the amount of money likely to be deposited at the post-offices have been put forth with apparent seriousness. One individual concluded that nine billions of dollars in cash would be deposited in the post-offices, or three times the total coin and currency in circulation throughout the United States.

It was in the presence of opposition based on just such weird imaginings and fancies that the Senate of the United States considered the postal depository bill for over seventy days during the Sixtieth Congress and for the last sixty days of the present Congress. Let no one suppose that every legitimate objection to the postal savings system was not presented with zeal and ability in the course of the debate; and yet, after full and free consideration, the Senate by more than two-thirds majority passed the Act which is now awaiting consideration in the House of Representatives.

Since a copy of the Act may not be possessed by every reader, it seems proper briefly to outline the important features of the measure. To begin with, the Act provides for the establishment

of a postal savings system, to be under the management and control of a board of trustees consisting of the Secretary of the Treasury, the Postmaster-General and the Attorney-General acting *ex officio*. This board is authorized to make all needful rules and regulations for carrying out the provisions of the Act in reference to the receipt, transmission, custody, investment and repayment of moneys received at postal savings depositories. Each money-order office in the United States is made a postal savings depository subject to the proviso that in the beginning the Postmaster-General may restrict the depositories to the so-called "Presidential" offices, about 7,500 in number, and thereafter extend the system as rapidly as practicable to all remaining money-order offices, approximating 43,000 in number. When finally installed the system will be operated in over 50,000 money-order post-offices.

Any person of the age of ten years or over may become a depositor, but no person shall be allowed to deposit more than one hundred dollars in any one calendar month nor more than five hundred dollars in the aggregate, nor will any person be permitted to have more than one postal savings account.

Deposits must be made in sums of one dollar or multiples thereof, but smaller sums can be saved through a card-and-stamp system which will allow accumulations up to one dollar, when the card and stamps thereto attached can be presented at the post-office for deposit. Interest will be paid on deposits at the rate of two per cent. per annum, and deposits may be withdrawn on demand, subject to such rules and regulations as the board of trustees may prescribe.

Up to this point no serious controversy was encountered by those urging the passage of the bill. With the desirability of affording people of small means an opportunity to accumulate with the assurance that their savings would be absolutely secure and available when needed, no one has been found to take issue. That the wide-spread facilities afforded by the post-offices will reach closer to the people than any other system could be made to reach no one denies. That the opportunity to save with a Government guarantee of repayment would, through this system, be extended to the remotest parts of the country to the great benefit of thousands, yea millions, of people who are now without any inducement to husband their earnings is too apparent to be

called into question. The aggregate amount which ultimately would accumulate in the depositories is a matter of pure speculation. In the United Kingdom the postal savings total over seven hundred million dollars, and the average amount to the credit of each depositor is about seventy dollars. But it must be remembered that the British Post-Office Savings-Bank has been in operation for forty-nine years. Its growth has been healthy and continuous, and there have been no violent fluctuations of any kind. Established in 1861, the total balance due depositors at the end of 1862 was slightly less than nine million dollars. From 1863 to 1868 the average balance was thirty-five million dollars; from 1869 to 1874 it was ninety million dollars; from 1875 to 1880 it was one hundred and forty-five million dollars; from 1881 to 1885 it was two hundred and ten million dollars; from 1886 to 1890 it was two hundred and ninety-five million dollars; from 1891 to 1894 it was three hundred and ninety-five million dollars. The increase has continued in substantially the same ratio until at the end of 1908 the total savings of depositors was \$781,791,533. It is reasonable to assume that after the lapse of many years the deposits in this country would equal if not exceed those of the United Kingdom.

The manner of disposing of the money thus accumulated has always been the chief source of contention in and out of Congress. Other Governments, as a rule, use the postal savings funds for the payment of current expenses or for investment in consols, bonds or other securities of the Government. The use of our bonded indebtedness as security for national bank circulation leaves this line of investment too circumscribed, and, moreover, it has been forcibly contended, and with reason, that, owing to our vast territorial extent, great hardship and inconvenience would follow the process of draining each community of the ready cash which would be placed on deposit at the post-offices. It is equally clear that the deposit of these funds in central reserve cities would be undesirable for the reason stated. To meet this objection, the Act provides that postal savings funds shall be deposited in any solvent bank or banks organized under national or State law and subject to public inspection and examination doing business in the neighborhood in which the post-office is situated. These banks must be not only solvent, but must give indemnity bonds or collateral security satisfactory to

the trustees. If more than one such bank willing to accept this money exists in a town or city the funds shall be deposited ratably as nearly as practicable. These deposits in the banks shall be subject to payment on demand and interest must be paid upon them by the banks at a rate not less than two and one-quarter per cent. per annum. Should the banks in any State or Territory refuse to receive the deposits on the terms and subject to the conditions prescribed, the same may be deposited with the Treasurer of the United States, who is made the treasurer of the board, and money so deposited may be invested in bonds or other securities of the United States. In time of war or other exigency involving the credit of the Government the board may withdraw all or any part of the funds from the banks for investment in bonds or other securities of the United States bearing not less than two and one-quarter per cent. interest per annum.

All penal statutes enacted to protect postal funds and money-order funds are made applicable to savings-bank deposits. The Act is to go into effect the first day of the third calendar month after its approval. There are many administrative details provided for which it is needless here to recapitulate. The fundamental features of the Act are substantially as set forth.

It will be perceived that the financial equilibrium cannot be in any sense disturbed by the operation of this system. Every locality will not only have all the ready money usually available for commercial transactions, but it is confidently believed that a large number of small sums aggregating a very considerable amount of money which is now in hiding will be brought forth and placed in the channels of trade. Many people who have no confidence in banks have the most implicit faith in the Government and will readily intrust their savings to its care. Of the three billions of coin and currency composing the money circulation of the United States, it is estimated that one billion dollars is constantly in hiding, and in times of panic or financial disturbance the proportion of idle money is even greater.

The most extravagant claims have been made as to the additional expense which it is predicted will be "saddled upon" the postal service by the postal depository system. One who claims to be an authority has said that a bookkeeper at \$900 per annum would be needed at each of 50,000 post-offices the moment the Act went into effect. By a simple arithmetical process it is

seen that this would mean an additional expenditure of \$45,000,000. The absurdity of this estimate is shown by comparison with the establishment of the system in Great Britain. The work was there commenced with the detail of a few clerks from other divisions, and after the system had been completely established it was found that only seventy additional employees were required to conduct the business. Extra men are needed for a brief time each year for the computation of interest, but that extra work could be taken care of readily by temporary details of the clerical force. It has been alleged that the present force of the Post-Office Department and the post-offices of the country would not be competent to transact postal savings-bank business. This assumption is readily disposed of by reference to the fact that the postmasters and clerks in post-offices now handle over \$500,000,000 of money-order cash each year, and in addition thereto more than \$200,000,000 of regular postal receipts, to say nothing of the large disbursements made. The institution proposed by the pending Act will only entail the simplest kind of cash transactions. The postmasters will receive deposits, receipt for the same and deposit the aggregate receipts each day in bank. Applications for repayments will, of course, be filed with postmasters, to be transmitted to the central accounting offices, where the books will be kept and where checks will be drawn on the local banks to pay depositors.

To the charge that the proposed system would be paternalistic, it is quite sufficient to answer that the whole postal service is in the same sense paternalistic. Post-offices and post-roads are established and maintained under constitutional authority for the benefit and convenience of the people. The registry system and the money-order system but extend the beneficent purposes of the service, and the postal depositories will embody only a further extension, which will prove of incalculable benefit to the body of the people for whom our Government exists. In no accurate sense can the proposed depositories be considered an invasion of the field of commercial banking. It is true that the Government will receive deposits at the post-offices and will jealously guard and promptly repay such deposits on demand, but the system will not embody any of the general features of a regular banking business, such as discounting paper, issuing bills of exchange, or other forms of accommodation to which the facilities

of commercial banks are devoted. Far from being a menace to our banking system, the postal depositories will tend to give greater stability to the financial operations of the people by insuring the constant use of all our coin and currency in the service of the business of every locality. The frequently recurring money panics from which we have suffered from the beginning have been more destructive than the wars in which we have been engaged. The financial disorders which have resulted in panics from time to time have been born of fear and distrust. On the approach of danger or disturbance the timid now withdraw deposits from the banks and the money goes into hiding. The experience of the past in this particular will be repeated in the future until we provide some depository in which the vast army of wage-earners and others of small means have absolute and abiding confidence. When the postal depositories are made available, persons whose confidence in the banks is shaken may withdraw their deposits and these deposits will be immediately turned over to the postmasters rather than, as heretofore, rendered useless and insecure in hiding-places. The postmasters in turn will, under the law, promptly deposit the money thus received in the banks. It follows, therefore, that the postal savings system will be a powerful agency working most efficiently to preserve the equilibrium in time of financial disturbance.

Finally, this system will beget interest in and devotion to the Government. It will develop patriotism and increase respect for law and order, and it will extend to the masses of the American people the benefits of a system which has proven a blessing to the people of every country in which it has been established.

THOMAS H. CARTER.